

CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Meeting of Tuesday - April 21st, 1981

INVESTMENT REVIEW - BEUTEL GOODMAN

Mr. David Williams provided a summary of the Economic outlook and reviewed the performance of the Concordia portfolio. Beutel Goodman predicts there will be slow growth in the first half of '81 with potential recovery late in the year. Corporate profits were off 5% in 1980 and it is expected that, for the first quarters of '81 poor profits will continue to be reflected with some improvement late in the year and early '82. The U.S. economic proposals should be passed as a package thus providing encouragement to industry and the markets.

In Canada the weakness of the Canadian dollar and the impact of the National Energy Policy has scared away investment dollars. While the dollar is weak there has been some advantage for Canadian industry in that this provides another level of protective tariff. (ie good competitive advantage).

FIXED INCOME OUTLOOK

In the U.S. the rates of $17\frac{1}{4}$ to $17\frac{1}{2}$ are trending downward. Long term rates may prove to be sticky unless there is some meaningful progress toward decreasing inflation.

Canada has been pursuing an independent interest rate policy, however, with the Canadian dollar under pressure the Bank of Canada has to take into account the U.S. trends. There could be a trading rally in Canadian Bonds.

EQUITY OUTLOOK

The U.S. market was down and Beutel Goodman was happy to be fully invested in our U.S. portfolio. There is a possibility of a double dip or recession in the U.S. market which could be offset by attractive stock prices.

In Canada the cyclical industries haven't yet declined and Beutel Goodman will be selective buyers of Canadian stocks, hopefully at the time of a market weakness.

In the Concordia Equity portfolio there is still 28% in cash reserves and Beutel's policy will be to work the reserve level down gradually.

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FIXED INCOME PORTFOLIO

Bonds did not perform as well as was expected with long bonds dropping off by 2.3%. In the Concordia fund the estimated total return is 16% for 12 months. There are cash reserves of 22% of the Fixed portfolio earning 17½% interest. The Bond Market should turn around and Beutel Goodman intends to sell out small holdings and buy Corporate Sinking Fund Bonds.

EQUITY PORTFOLIO

The industries which interest Beutel Goodman are the Canadian Mining Industry and the Pulp and Paper Industry which has not produced the hoped for opportunities. Canadian Oils prices do not reflect the impact of the national policy and by year end the Ottawa/Alberta argument should be resolved. Next year it is anticipated that stocks will do well in the areas which benefit from inflation.

JARISLOWSKY FRASER

Mr. Kertland of Jarislowksy Fraser reviewed the Concordia portfolio for the Committee.

EQUITY PORTFOLIO

The returns on the cash reserves in the Equity Portfolio are averaging 17%. The emphasis is on investments in oils and although the budget caused some bad experience in the market, some of the oils represent good asset value. Companies are still increasing reserves and prices will continue to rise.

In 1982 Oil Companies will benefit from the two-tier price system, one price for old oil and another for new oil. Integrated companies having reserves will continue to produce at the old prices while new companies will have to produce at the new price. Once there is a price agreement with Ottawa the exploration phase will have to be pushed. The Cold Lake and Tar Sands projects were stopped because of Federal policy, the companies want International prices in order to guarantee returns of 18% rather than 14% to their shareholders.

There are substantial reserves in gas and there have been some new finds in the last four years. There is also a ready market in the Northern and Western United States. Profits have gone into new exploration and a lot of gas has been found in the last two years.

PORTFOLIO DEVELOPMENTS

Mr. Kertland reviewed some recent developments affecting the Concordia portfolio. There was a stock split in Royal Bank and Loblaws is expanding into the U.S. Jarislowksy Fraser will be turning in MacMillan Bloedel and will receive preferred shares of Noranda and an extension into mines with a reduction in paper is an anticipated move. In the food processing group Schneider (Heritage Group) is expanding into Western Canada.

Mr. Kertland summed up his presentation by observing that good prospects are indeed in Canada and an improved Economic Policy will provide incentive for better long term returns.

The meeting adjourned at 2:15 p.m.